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SUBJECT: UNITED TO FLY DIRECT FROM WASHINGTON TO MOSCOW BY  
END OF MARCH 2009

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¶1. (SBU) On December 1, Oracio Marquez, United Airlines' Manager for International Regulatory Affairs, confirmed to Embassy Moscow's FAA Attache that United would start direct, non-stop flights as of March 29, 2009 between Dulles International Airport (IAD) and Moscow's Domodedovo International Airport (DME). United had originally planned to start flights in October 2008 but requested and received a six-month extension from the U.S. Department of Transportation. Marquez said United submitted the necessary paperwork to Russia's transportation and aviation regulatory authorities in November so that flights could begin in March. He said United plans to fly the Boeing 767-300 aircraft on the IAD-DME route. United's on-line booking system already has the new flights listed (Flights 964 and 965) and shows that seats are beginning to fill up for flights in April and May 2009, with round trip economy-class tickets starting at \$918.

¶2. (SBU) United's decision to start service at this time is a bit of a surprise. Growth rates on international routes to and from Russia have been declining in the second half of ¶2008. They are still predicted to grow by about 14-16 percent for 2008, according to Russian aviation experts, but this is down from 21 percent in 2007 and is in spite of a very strong performance in the first half of the year. Russian experts expect growth rates to decline further in 2009, though still remain in positive territory. Currently, Aeroflot provides the only direct flight between the two cities, but does not fly daily. According to Marquez, the limited competition, predicted continued growth in demand, significant volume of government travelers between the two capitals, and lower jet fuel prices made the direct DC-Moscow flight attractive for United at this time.

¶3. (SBU) United still faces some challenges, however, as it moves forward with starting operations. Marquez said United currently has no employees on the ground in Moscow and will only have two employees at Domodedovo airport even after flights start. Most services will be provided by outside contractors and service providers. The company is negotiating with the East Line Group (an airline services company and the manager of DME) to provide ground services, but the companies have not yet finalized the contract terms.  
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